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Beneficiary Awareness of Medicare HMOs, OEI-04-97-00035

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Attached is our report on factors affecting Medicare beneficiary awareness of health maintenance organizations (HMOs) located in their geographic area.

The Balanced Budget Act of 1997 enhanced beneficiaries' health care choices and expanded HCFA's responsibilities for informing beneficiaries about their choices. Beneficiaries' ability to make informed choices depends most fundamentally on whether or not there are managed care organizations in their geographic area and, if so, whether or not beneficiaries know about them.

To determine the extent, accuracy, and source of beneficiary knowledge of managed care options, we used our 1997 national beneficiary satisfaction survey to ask beneficiaries who were not in HMOs about their awareness of Medicare HMOs. We then checked the accuracy of beneficiary responses by determining whether or not they did indeed live in areas with Medicare-contracted risk HMOs. Finally, we determined which factors influenced beneficiaries' knowledge of whether or not Medicare HMOs were available in their geographic area.

Clearly, much has changed since 1997 about the extent of HMO availability and beneficiary awareness of it. However, factors affecting beneficiary awareness may still be pertinent. With that in mind, we offer this analysis to HCFA for use in your ongoing efforts to increase awareness of managed care options. This data may also serve as a baseline for measuring progress.

We found that of the beneficiaries who had HMOs in their geographic area, about half (54 percent) did not know about them. Interestingly, over one-fourth (26 percent) of the beneficiaries who did not know about HMOs, but had HMOs available, said they would be interested in joining an HMO.

Our analysis showed that beneficiaries who knew about Medicare HMOs lived in urban areas that had a strong health insurance market penetration. Beneficiaries who lived in geographical areas with HMOs and knew about them tended to live in urban areas that had a higher percentage of Medicare beneficiaries using HMOs. They also tended to have medical coverage in addition to Medicare. However, beneficiaries' knowledge of HMOs did not correlate with their age, gender, health status, or the average income in their area.

Beneficiary knowledge of managed care organizations in 1997 depended largely on commercial advertisements and marketing. If this same dynamic holds true today, HCFA efforts to expand beneficiary knowledge will need to be focused on areas where Medicare managed care options are available, but where commercial advertising has not been effective in reaching Medicare beneficiaries.

We hope you find this information useful as you make plans to educate beneficiaries about Medicare+Choice. We also have studies underway on HMO marketing materials, extra benefits, and HMO closings. We are now in the process of discussing the results of these studies with your staff.

This report is being issued directly in final since it contains no recommendations. There is no need to formally comment on the report. Nevertheless, your comments or questions are welcome. You can call me at (202) 619-0480 or have your staff contact Stuart Wright at (410) 786-3138.

Attachment

Beneficiary Awareness of Medicare HMOs

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INTRODUCTION

PURPOSE

To determine factors affecting Medicare beneficiary awareness of health maintenance organizations in their geographical area.

BACKGROUND

Balanced Budget Act

The Balanced Budget Act of 1997 created Medicare Plus (+) Choice which enhanced beneficiaries' health care choices. Medicare+Choice encompasses all the health plan choices a beneficiary has in the Medicare program. It includes the original fee-for-service program, risk health management organizations (HMOs), and new managed care models.

Beneficiaries' ability to make informed choices depends most fundamentally on whether or not there are managed care organizations in their area and, if so, whether or not beneficiaries know about them. Prior to the Balanced Budget Act, beneficiary knowledge of managed care organizations depended largely on commercial advertisements and marketing. However, the Balanced Budget Act expanded the Health Care Financing Administration's (HCFA) responsibilities for informing beneficiaries about their choices.

Data for this inspection was collected in 1997, prior to implementation of the Balanced Budget Act. Clearly much has changed about the extent of HMO availability and beneficiary awareness of it. However, factors affecting beneficiary awareness may still be pertinent. With that in mind, we offer this analysis to HCFA for use in ongoing efforts to increase awareness of managed care options. This data may also serve as a baseline for measuring progress in this regard.

METHODOLOGY

As part of a broad 1997 national survey to determine beneficiary satisfaction with Medicare,¹ we asked beneficiaries who were not in HMOs about their awareness of Medicare HMOs. We then checked the accuracy of beneficiary responses by

¹Office of Inspector General, United States Department of Health and Human Services. *Medicare Beneficiary Satisfaction: 1997*. OEI-04-97-00030.

determining whether or not they did indeed live in areas with Medicare-contracted risk HMOs.

The following describes more specifically how we extracted and analyzed data for this inspection.

1. In July 1997, we mailed a questionnaire to 1269 randomly-selected Medicare beneficiaries for whom Part B claims had been filed in Calendar Year 1996. Beneficiary participation in the survey was voluntary. A total of 977 beneficiaries returned completed questionnaires, for a response rate of 77 percent. Percentages are based on the number of beneficiaries who responded to the questions about HMOs.
2. We matched addresses of the 977 respondents with HCFA's database showing which zip codes were covered by Medicare HMOs at the time of our survey. This resulted in a database containing 621 beneficiaries (64 percent of our respondents) who lived in a zip code covered by a Medicare HMO.
3. We then matched the 621 beneficiaries with (1) Medicare enrollment data, which includes beneficiary characteristics, (2) 1990 Census data, (3) data on Medicare HMO market penetration, and (4) Medicare claims data.
4. We used a logistic regression analysis to identify variables that would distinguish between (1) beneficiaries who said that Medicare-contracted HMOs were available in their geographical area and (2) beneficiaries who did not know or who said that Medicare HMOs were not available. Appendix A lists the variables that we included in this analysis.

We conducted this inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

About half of beneficiaries did not know if a Medicare HMO was located in their geographical area

We asked beneficiaries in our sample if they lived in a location where they could join an HMO. The following table shows that over half said they did not know, and another 8 percent said they did not live in an area with HMOs.

**Beneficiary Knowledge
Of HMOs**

Category	Percent
Beneficiaries who said they <u>did</u> live in an area with Medicare HMOs	36
Beneficiaries who said they <u>did not</u> live in an area with Medicare HMOs	8
Beneficiaries who said they <u>did not know</u> if they lived in an area with Medicare HMOs	56

The majority of beneficiaries (69 percent) who said they knew about HMOs in their area said they learned of them through HMO advertising.

Of beneficiaries who did have HMOs in their area, about half did not know about them

When we matched the database of Medicare-contracted HMOs to the zip codes of our survey respondents, we found that of the beneficiaries who had HMOs in their area, about half (54 percent) did not know about them. They had answered either “No” or “Do Not Know” when asked if their geographical area had a Medicare HMO. Forty-six percent of beneficiaries who lived in an area with HMOs did know about them.

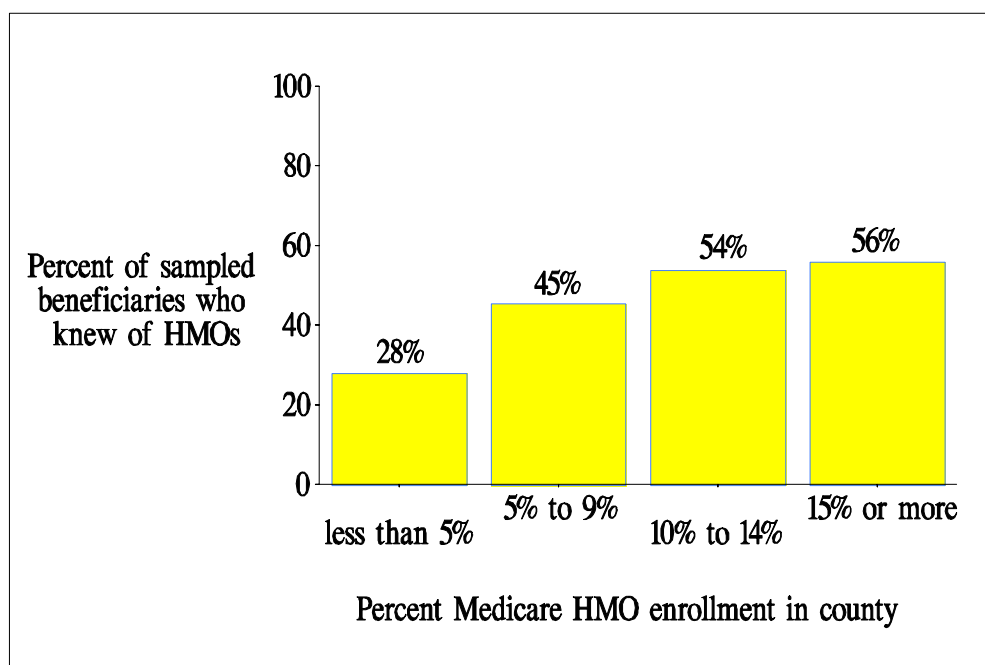
We also asked the beneficiaries if they would be interested in joining an HMO. One-fourth (26 percent) of those who lived in an area where an HMO was located and did not know it, said they would be interested in joining an HMO.

Those who knew about HMOs lived in urban areas with a strong health insurance market penetration

Our analysis of the 621 beneficiaries who lived in geographical areas with HMOs showed that those beneficiaries who knew about the HMOs had some common characteristics. They tended to live in urban areas that had a higher percentage of Medicare beneficiaries in HMOs, and they had medical coverage in addition to Medicare. Beneficiaries' knowledge of HMOs did not correlate with their age, gender, health status, or the average income in their area.²

As illustrated in Figure 1 below, beneficiaries who lived in counties with higher Medicare HMO market penetration were more likely to know that HMOs were available.

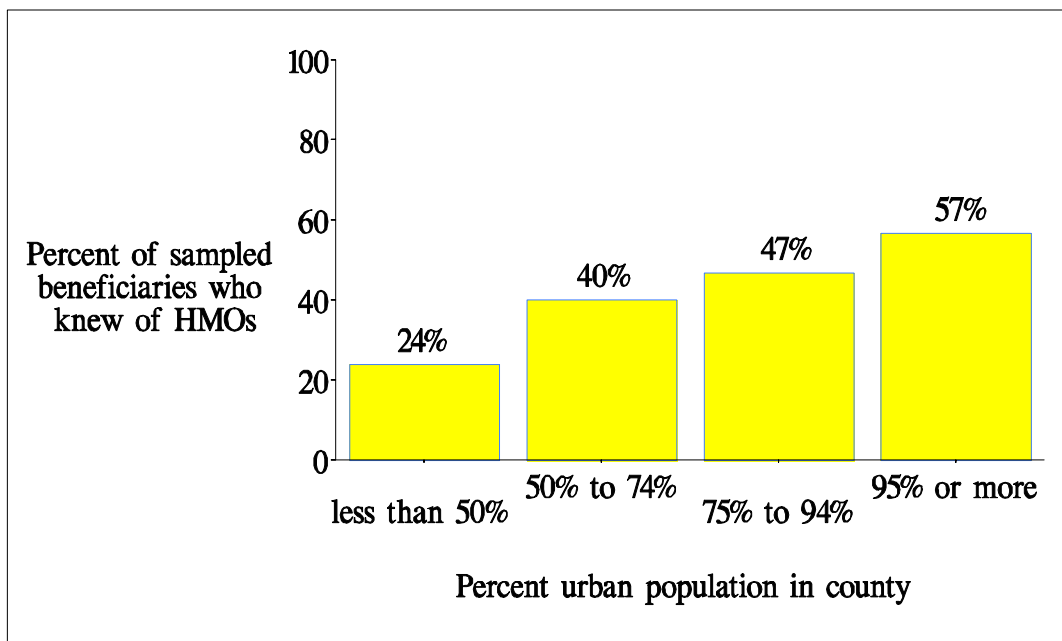
Figure 1
Beneficiary Knowledge
by HMO Market Penetration



²For a complete list of the variables that we evaluated, see appendix A.

Beneficiaries who lived in urban counties were more likely to know that HMOs were available, as shown in Figure 2 below.

Figure 2
Beneficiary Knowledge
by Percent Urban Population



Beneficiaries who had insurance coverage in addition to Medicare or Medicaid were more likely to know that HMOs were available, as shown in the table below.

Beneficiary Knowledge
by Insurance Coverage

Category	Percent Who Knew of HMOs	Percent Who Did Not Know of HMOs	Total
HAD Medical Coverage in Addition to Medicare and Medicaid	53	47	100
NO Medical Coverage in Addition to Medicare and Medicaid	24	76	100

Two other variables--disability and race--were only significant at the 90 percent confidence level after adjusting for the three variables already described (market penetration, percent

urban, and insurance coverage). As shown in the tables below, beneficiaries who had never received Medicare based on disability, and beneficiaries who were white, were more likely to know that HMOs were available. (The statistics in these tables are not adjusted for the influence of other variables.)

**Beneficiary Knowledge
by Disability Category**

Category	Percent Who Knew Of HMOs	Percent Who Did Not Know of HMOs	Total
Never Received Medicare Due to Disability	50	50	100
Did Receive Medicare Due to Disability	31	69	100

**Beneficiary Knowledge
by Race Category**

Category	Percent Who Knew of HMOs	Percent Who Did Not Know of HMOs	Total
White	49	51	100
Non-White	30	70	100

HCFA Study

Results of our analysis are similar to those found by HCFA's Office of Strategic Planning when they analyzed beneficiary responses to the Medicare Current Beneficiary Survey³. The HCFA study found that (1) Medicare HMO market penetration, (2) beneficiaries' educational level, and (3) beneficiaries' self-reported health status influenced whether or not beneficiaries knew about Medicare HMOs in their area. A direct comparison, however, between our study and HCFA's study cannot be made because definitions of some of the variables differed.

³Health Care Financing Administration, Office of Strategic Planning, August 12, 1998

CONCLUSION

Clearly, beneficiary knowledge of managed care organizations in 1997 depended largely on commercial advertisements and marketing. If this same dynamic holds true today, HCFA efforts to expand beneficiary knowledge will need to be focused on areas where Medicare managed care options are available, but where commercial advertising has not been effective in reaching Medicare beneficiaries.

VARIABLES INCLUDED IN LOGISTIC REGRESSION ANALYSIS

Variable	Description
County HMO market penetration	Percent of Medicare beneficiaries who were enrolled in Medicare-contracted HMOs at the time of our survey, by county
County percent urban	Percent of population in an “urban” area, by county (based on 1990 census)
Zip code percent urban	Percent of population in an “urban” area, by zip code (based on 1990 census)
County metropolitan statistical area	Metropolitan statistical area designation, by county
County median income	Median household income, by county (based on 1990 census)
Zip code median income	Median household income, by zip code (based on 1990 census)
Age	Beneficiary’s age at time of survey
Gender	Beneficiary’s gender
Race	Beneficiary’s race
Disability	Determines whether the beneficiary has ever received Medicare benefits because of disability
Supplemental insurance	Determines whether the beneficiary had supplemental insurance. If yes, was it Medicaid only, or did it include other insurance such as Medigap? (This variable came from our beneficiary survey.)
Medicare payments	Total Medicare payments for the beneficiary, for the twelve months up to the survey date
Health status	Health status score based on diagnosis mix in Medicare claims for the twelve months up to the survey date

The following table shows the five variables that remained in the final regression model, along with the confidence level that each variable was significant.

Variable	Confidence level
Natural logarithm of county HMO market penetration	greater than 99.9%
Supplemental insurance	greater than 99.9%
County percent urban	99.8%
Disability	92.1%
Race	91.3%

CONFIDENCE INTERVALS

The following table shows point estimates and 95 percent confidence intervals for selected statistics, in the order that they appear in the report.

Statistic	Point estimate	95% confidence interval
Percent of Medicare beneficiaries who said that they <u>did</u> live in an area with Medicare HMOs	36.4%	33.3% - 39.5%
Percent of beneficiaries who said they <u>did not</u> live in an area with Medicare HMOs	7.6%	5.9% - 9.3%
Percent of beneficiaries who said they <u>did not know</u> if they lived in an area with Medicare HMOs	56.0%	52.8% - 59.2%
Of beneficiaries who lived in a zip code with one or more Medicare HMOs, percent who did not know about them	53.5%	49.4% - 57.6%
Of beneficiaries who (1) lived in a zip code with one or more Medicare HMOs and (2) did not know about them, percent who said they would be interested in joining an HMO	25.5%	20.2% - 30.8%